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DEVELOPMENT AND MIGRATION COMMISSION.

INTERIM REPORT

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Investigation into Present Position of Tasmania

(With Appendices)

DEVELOPMENT AND MIGRATION COMMISSION.

INTERIM REPORT ON INVESTIGATION INTO PRESENT POSITION OF TASMANIA.

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Melbourne, 23rd May, 1927.

The Right Honorable Senator Sir George Foster Pearce, P.C., K.C.V.O.,
Vice-President of the Executive Council,
Parliament House, Melbourne.

SIR,

The Commission has the honour to present its Interim Report on Investigation into the Present Position of Tasmania.

Yours faithfully,

(Signed) HERBERT W. GEPP,
Chairman.

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INTERIM REPORT ON INVESTIGATION INTO PRESENT POSITION OF TASMANIA.

At a conference of Commonwealth and State Ministers, held in Melbourne in May, 1926 to consider the financial relations between the States and the Commonwealth, the Commonwealth Government made a considered statement under the heading of "Commonwealth Proposals for Remedying the Financial Position of Tasmania," *vide* Report of Debates, p. 7376.

Extracts from this statement are :—

- (1) In considering this matter it must be recognized that the Commonwealth cannot assume responsibility for the varying degrees of prosperity and development of the several States arising from their geographical position.
- (2) The mere making of a money grant is not the solution of the problem. Such a grant is in effect contributed by the several States of the Commonwealth, and it is proper for the Commonwealth Government to consider the obvious fact that the mere granting of money, far from removing the causes of the trouble, may in fact increase them. The true principle, therefore, is to discover the causes of the financial difficulties and to seek to provide means for their removal. If, for example, the difficulties are due to a condition of arrested development, the essential problem is to determine how development may be promoted in order that increased production may lighten the burden of taxation and render further enterprise possible. It is from this point of view that the requests of Tasmania and Western Australia have been approached by the Commonwealth Government.
- (3) The only effective remedy for this unfortunate position is to be found in increasing the production of the Tasmanian community. An increase of production will lead to an increase of revenue, particularly from the railways, without increasing the real burden upon the people. In order to explore more thoroughly the causes of deficient production and to propose methods for overcoming the present retrogression, the Commonwealth Government is prepared to make available the resources of the Development Commission about to be set up, and of the re-organized Bureau of Science and Industry, so that a full and scientific investigation may be made.
- (4) These proposals are made by the Commonwealth Government with the sincere desire to assist the State of Tasmania in overcoming the difficulties which at present exist. The Commonwealth Government is satisfied that the difficulties can be overcome by resolute and determined effort made in the light of full knowledge of the relevant facts and in pursuance of an enlightened and progressive policy.

After the expiration of the two-year period the Commonwealth and the State Governments will be in a position to reconsider the whole question.

This statement by the Commonwealth Government is so important in relation to the consideration of the investigation which is now being made by this Commission that the full text is attached to this report as Appendix No. 1.

The Tasmanian Government accepted the proposals for a full investigation, and, on the 20th August, 1926, the Prime Minister requested the Commission

"to investigate the present position in Tasmania and recommend as to any method in which assistance can usefully be rendered in that State."

The Commission has, accordingly, over a period of several months, made a close inquiry into the position. This inquiry has been conducted with the fullest assistance of, and in conjunction with, the Tasmanian Government, the State Development Board, and the officials of the State. It is appropriate to acknowledge the spirit of co-operation which has actuated all sections of Tasmanian people and to express appreciation of the help rendered.

Generally, it may be said that all phases of production, transport, and marketing are found to be capable of improvement by systematic work by experts in each department of activity. The inquiry so far made by the Commission has entered into the questions of agriculture, markets, extension of co-operative action among producers, finance, timber industry, mining, fisheries, manufacture, transport (external and internal), and the tourist traffic.

In the time available, the Commission has not been able to deal finally with all the foregoing subjects, but is proceeding with its investigation with a view to submitting, at as early a date as practicable, a comprehensive report covering the whole of them.

Early in the investigation it became clear that the position of the agricultural industry was so serious that immediate steps for its improvement were considered essential. The presence in Tasmania of officers of the Council for Scientific and Industrial Research, who were investigating certain phases of agriculture, helped in the consideration by the Commission of this part of its investigation.

The Commission is now in a position to make definite recommendations regarding the steps which it considers are necessary to be taken in order to place agriculture in Tasmania on a profitable basis, and has deemed it advisable to issue a preliminary report dealing with the subject of agriculture only, without awaiting the full report on the whole of the questions which are included in the investigation.

The people engaged in agriculture in Tasmania and those associated with the industry are realizing that the advancement in methods and the intelligent and practical application of scientific knowledge will materially improve the conditions of the agricultural industry in Tasmania. With this realization the position should undergo a marked and rapid change and should lead to permanent improvement, if not complete restoration.

The need for the closest co-operation between the proposed extended Agricultural Department and the people is essential to success. This cannot be stressed too strongly, because, after all, the final success depends upon the work which the Department will do and the practical use which will be made of the knowledge furnished to the people engaged in the industry, or dependent upon it.

In order to effect essential improvements, the Commission, in its recommendations, considers it necessary to cover finally three necessary functions, namely :—

- (1) Extension of scientific knowledge among producers.
- (2) Finance.
- (3) Marketing.

The first step, viz., extension of scientific knowledge, must precede the other two. This step the Commission considers can best be taken by the immediate strengthening of the Agricultural Department in this direction.

These proposals, an outline of which is attached as Appendix No. 2, follow on the recommendations of Dr. S. S. Cameron, Victorian Director of Agriculture (in a report to the Tasmanian Government dated 22nd February, 1926), and are based on a careful survey of similar government activities on the Mainland, and in the leading agricultural countries of the world. They have been elaborated by Dr. G. F. Finlay, an officer of the Council for Scientific and Industrial Research, detailed jointly by the Development and Migration Commission and the Council for Scientific and Industrial Research for this work, in conjunction with the Tasmanian Director of Agriculture, Mr. F. E. Ward, and Mr. W. J. Rose on behalf of the Development and Migration Commission, and are recommended for adoption. They have been discussed freely with the Premier and other members of the Tasmanian Government, farmers of all classes, and leaders of public opinion in all branches in all parts of the State.

The Agricultural Department, as at present constituted, is estimated to cost, in the year 1926-27, £19,512. The Department consists of—

Director.

Three officers in the Farm Crops Division.

Poultry Supervisor.

Three officers in the Dairy Division.

Horticulturist, Veterinarian, Agricultural Chemist, Plant Pathologist, Clerical Staff,
Staff Assistants, Stock and Port Inspectors.

The head-quarters officers are divided between Hobart and Launceston.

It is proposed to strengthen the head-quarters staff by additions to the present divisions and by adding the following functions :—

Research Division.
Animal Husbandry Division.
Entomologist.
Farm Engineer.
Apiarist.
Agricultural Economist.
Home Economist (female).
Seed Testers.

It is further proposed to organize a "District Education Extension Service," consisting of a Superintendent on the head-quarters staff and resident advisers at Burnie, Longford, Scottsdale, Oatlands, Sorell, and Huonville.

The duties of this Service will be to transmit information from the experts at head-quarters effectively to the farmers. As these officers will be chosen for their sound knowledge of and broad and practical outlook on farming generally, and their sympathetic understanding of the farmers' problems, as well as for their scientific knowledge, it is expected that marked and early improvement in rural practices will be made as a direct result of their appointment. This close personal touch with the farmers should have far-reaching and important results, if suitable men be selected, and their selection requires most careful consideration.

A system of scholarships, tenable at Mainland Universities and Agricultural Colleges, is also proposed.

The total cost of these proposed extensions of the Agricultural Department has been carefully estimated at the sum of £18,000 per annum.

In the *States Grants Act* 1927, Tasmania is granted Federal aid to the amount of £378,000 per annum in the two years 1926-27 and 1927-28. With this assistance the State has reduced direct taxation by £140,000 in the current year on lines recommended by Sir Nicholas Lockyer. Prior to this reduction, Tasmanian direct taxation was the highest of any State and was seriously retarding production. Certain arrears of interest and sinking fund which had been deferred in previous years were made up, and increased appropriations were made to aid mining, agriculture, and other departments. A surplus of over £22,000 was anticipated, and the results of the financial year, so far, indicate that this will be realized.

The Commission recommends that the State should carry the expense of the increased staff for the year 1927-28 by appropriations from this surplus.

Before 30th June, 1928, it will be necessary for the Federal Parliament to consider what assistance will be necessary for Tasmania in the ensuing years. Before that date the Commission will be prepared to make recommendations in connexion with other phases of Tasmania's economic condition.

It is the opinion of the Commission that Tasmania will require Federal financial assistance for some years to come, and it is recommended that, subsequent to 30th June, 1928, the amount of such assistance should be fixed at a definite sum per annum for five years thereafter. This period is suggested as the minimum period in which a fair judgment of the efficiency of the remedial measures can be made, and its adoption would enable definite plans to be developed under stable conditions.

In arriving at the amount of this assistance, due consideration must be given to the taxable capacity of the State in relation to the cost of necessary Government services; and, in addition to assistance which may be necessary on this account, the cost of the remedial measures recommended by the Commission (including the increased expenditure recommended herein for the Agricultural Department), must be included.

Again, prior to the expiry of this five years, the Commission recommends that the position should be reviewed in order to determine whether assistance for a further period is necessary and the amount thereof.

This report has been discussed with the Executive of the Council for Scientific and Industrial Research, which is in agreement therewith so far as the Council is concerned.

(Signed) HERBERT W. GEPP,
Chairman.

23rd May, 1927.

A P P E N D I X N o . 1.

EXTRACT FROM CONFERENCE OF COMMONWEALTH AND STATE MINISTERS
HELD IN THE HOUSE OF REPRESENTATIVES, COMMONWEALTH
PARLIAMENT, MELBOURNE, MAY, 1926, TO CONSIDER THE FINANCIAL
RELATIONS BETWEEN THE STATES AND THE COMMONWEALTH.

COMMONWEALTH PROPOSALS FOR REMEDYING THE FINANCIAL POSITION OF TASMANIA.

The requests of Tasmania and Western Australia for financial assistance from the Commonwealth raise important questions with regard to the basis upon which such assistance should be given to a State.

In the first place, Tasmania and Western Australia make claims upon the Commonwealth upon the ground that their States have suffered disabilities from federation.

In considering this matter, it must be recognized that the Commonwealth cannot assume responsibility for the varying degrees of prosperity and development of the several States arising from their geographical situation.

It has not been demonstrated to the satisfaction of the Commonwealth Government that federation has substantially depreciated the position of these States, compared with what their position would have been if federation had not taken place. On the other hand, it cannot be denied that there are advantages due to federation which must in fairness be set off against the alleged disadvantages.

The Commonwealth Government is satisfied that it is not possible to estimate in terms of money on a proper balance of account the alleged federal disabilities. The position, however, remains that the finances of Tasmania and Western Australia are in a serious condition, and that the whole of the Commonwealth is interested in securing and maintaining the dignity and stability of each of the States.

In order to deal with the question satisfactorily, it is necessary in the first place to lay down the general principle that the mere fact that a particular State has had a deficit, or indeed a series of deficits for a number of years, is not in itself a sufficient ground for granting federal assistance. If the contrary principle were once admitted, it would be an invitation to a system of reckless and irresponsible finance. In the second place, it is essential to consider the causes of the financial difficulties so far as such causes can be discovered.

The mere making of a money grant is not a solution of the problem. Such a grant is in effect contributed by the several States of the Commonwealth, and it is proper for the Commonwealth Government to consider the obvious fact that the mere granting of money, far from removing the causes of the trouble, may in fact increase them. The true principle, therefore, is to discover the causes of the financial difficulties, and to seek to provide means for their removal. If, for example, the difficulties are due to a condition of arrested development, the essential problem is to determine how development may be promoted in order that increased production may lighten the burden of taxation and render further enterprise possible. It is from this point of view that the requests of Tasmania and Western Australia have been approached by the Commonwealth Government.

PAST FINANCIAL RELATIONS OF TASMANIA WITH THE COMMONWEALTH.

The financial position of the Government of Tasmania has been unsatisfactory for some years. During the first ten years of federation, when the bookkeeping provisions of the Constitution were in operation, Tasmania maintained that she did not receive the surplus revenue to which she was entitled. It was claimed that Customs procedure gave Victoria benefits at the expense of Tasmania.

Since the bookkeeping provisions were superseded by *per capita* payments in 1910-11, Tasmania has not derived the same progressive advantages as other States from the general total increase of this payment, owing to the fact that her population has not increased at the same rate as that of other States.

In 1912 a Royal Commission was appointed, which recommended a grant of £900,000 to be distributed over ten years, ending 30th June, 1922. This recommendation was adopted by the Commonwealth. A further grant of £85,000 per annum was continued until 1923-24. Since 1922, successive Premiers of Tasmania have made appeals to the Commonwealth Government for further special consideration. These appeals took the form of requests for an annual grant of practically £200,000 per annum for a varying period of years, it being stated that such a grant would secure the stability of the State finances.

In 1924, the Commonwealth Government again dealt with the position of Tasmania. It surrendered to Tasmania the Commonwealth tax on lottery prizes, which amounted to £111,000 per annum. A special grant of £85,000, diminishing annually by £17,000, was also made, thus giving to Tasmania for 1924-25, £196,000, which was practically the £200,000 then said to be necessary to place her finances in a sound position.

PRESENT REQUEST FOR FINANCIAL ASSISTANCE.

Within eighteen months of the receipt of that assistance, Tasmania now asks for a grant of £545,000 for ten years. This, added to the tax of £111,000 on lottery prizes already surrendered by the Commonwealth, would be equivalent to a grant of £656,000 a year for ten years.

The following grounds for this request have been put forward in the official "Case for Tasmania":—

- (1) That debt and interest liabilities have increased notwithstanding increased taxation;
- (2) that continuance of abnormal taxation imperils maintenance of production and of the revenue the taxation is designed to secure;
- (3) that Tasmania has a taxable capacity per head much below the other States;
- (4) that since federation many industries have closed down and others are languishing;
- (5) that owing to all Tasmania's interstate trade being by sea, the high freights caused by the Navigation Act are proportionately more severe on Tasmania than on the other States;
- (6) that taxation by means of the tariff is more severe on Tasmania than direct taxation, which is graduated in proportion to ability to pay;
- (7) that since the advent of federation, departures from Tasmania have exceeded arrivals by 38,000 persons;
- (8) that loss of population by migration was due to (a) high taxation, (b) low exemptions, (c) lack of employment, (d) improved industrial conditions and better educational facilities on the mainland;
- (9) that while Tasmania shares the cost of protection, she does not share equally in the benefits;
- (10) that as the result of the State's financial position the standard of living is much lower than that of the larger and more prosperous States;
- (11) that the causes of the financial and economic disabilities which have contributed to Tasmania's need for assistance are intimately associated with federation.

REPORT OF SIR NICHOLAS LOCKYER.

The Commonwealth Government appointed Sir Nicholas Lockyer to investigate the claims made. His report indicated that there had been a general financial slackness in the administration of Tasmania's internal affairs. He arrived at the conclusion that there had been inefficiency and consequent lack of development in connexion with primary industries, especially agricultural and pastoral pursuits, and quoted evidence that much of the depression in such industries was due to soil exhaustion. He reprobated pessimism on the part of leaders of Tasmanian opinion, and suggested many directions in which reforms to increase production and improve efficiency might be introduced. He made certain recommendations of a financial nature, which, in the majority of instances, involved Commonwealth supervision over Tasmanian administration and finance.

The Commonwealth Government recognizes that there are weighty objections to the assumption by the Commonwealth of any general control over the finances of a State, and it is not now proposed that specific conditions should be imposed upon Tasmania in connexion with any financial assistance. It will depend upon events whether such control may become necessary in the interest of the general credit of Australia.

INVESTIGATION BY THE COMMONWEALTH GOVERNMENT.

The Commonwealth Government has now carefully examined the case presented by Tasmania and the report by Sir Nicholas Lockyer. As stated above, it has been claimed on behalf of Tasmania that the State is subject to special disabilities arising from federation. The Government has considered the matter carefully, but has come to the conclusion that the disabilities suggested have not been shown by evidence to produce, on a balance of account, any definite damage measurable in terms of money, that Tasmania's present position is largely due to internal rather than to external causes, and that these disabilities are in a great measure remediable by local effort. It is satisfied from its general examination that the leaders of public opinion in Tasmania are unduly pessimistic in their outlook and utterances. It seems clear that the natural advantages of Tasmania (its climate, its soil, its mineral resources and water power) present opportunities for a progressive developmental policy.

An examination of the most recent case submitted by Tasmania shows that the figures quoted in support of the request for £545,000 from the Commonwealth are obviously overstated. That amount is arrived at thus—

Estimated deficit for 1925-26	..	..	..	..	..	£100,000
Additional sum which it is claimed should be charged to revenue	..	..	..	..	..	247,000
Amount required for relief of taxation	..	..	..	..	..	130,000
Amount of present special grant	..	..	..	..	..	68,000
Total subsidy required for 1926-27 and future years						£545,000

Estimated Deficit for 1925-26, £100,000. The Budget Estimate for 1925-26 made by the Treasurer of Tasmania was a deficit of £62,000. It is now, however, stated by Tasmanian advocates that this will reach £100,000, and will continue at that rate for future years. The only ground alleged for this statement is "continued depression."

Additional Charges to Revenue, £247,000. This is made up of the following sums, which it is now claimed should be charged to revenue in 1926-27 and subsequent years:—

(1) Returned Soldier Settlement—estimated further losses	..	..	..	£83,000
(2) Provision for railway renewals and replacements	..	..	..	52,300
(3) Interest on deficit to be funded, £564,870	..	..	..	28,000
(4) Sinking fund, 5 per cent. on deficit funded and to be funded, £914,271	..	..	..	45,713
(5) Instalment to make good loss on loan to Tasmanian Smelting Company, £17,645	..	..	..	4,000
(6) Instalments for meeting sundry "deferred" charges	..	..	..	4,002
(7) Depreciation, &c., Hydro-Electric Works (balance)	..	..	..	18,892
(8) Reduction in revenue under the "Traffic Act"	..	..	..	11,000
				£246,907

Item (1). This appears to be a claim that the Commonwealth should bear practically the whole loss on soldier land settlement in Tasmania. At the outset of repatriation, it was agreed that these losses should be shared by the Commonwealth and the States. The Commonwealth's share of such losses was in the form of rebates and concessions of interest which were granted over a period of years. Land settlement is essentially a State function, the immediate benefits of which accrue to the States. The Commonwealth interest in soldier settlement arose from its desire to provide for the repatriation of the soldiers in the States as a whole. Under the arrangement agreed to by the States approximately half of the loss falls on the States and half on the Commonwealth. In Tasmania, losses have arisen from interest concessions to the soldiers, bad debts, and excessive valuations. Towards the losses, the Commonwealth is contributing to Tasmania £273,000 in rebates of interest, and is also writing off £262,000 from the loan due by Tasmania as from October, 1925. The Commonwealth has also intimated its intention to reduce its interest charges to the States as from 1st January, 1931, from an average of $6\frac{1}{4}$ per cent., which is the rate the Commonwealth paid for the money, to 5 per cent., irrespective of the market rate.

Item (2). For the past few years £13,333 has been set aside annually from revenue for railway renewal purposes. It is now proposed to supplement that provision by a further sum of £52,300 at the expense of the Commonwealth.

Item (3). A deficit of £564,870 is to be shortly funded. This deficit had accrued prior to 30th June, 1925. It has been temporarily provided from the General Loan Fund, and interest is already being charged to the revenue accounts of 1925-26. Despite this fact, it is now claimed that the "funding" of this sum will create an additional burden of £28,000 in 1926-27 and subsequent years.

Items (4) and (5). It is proposed to write off a revenue deficit of £914,000 by a special sinking fund of 5 per cent. instead of the usual rate of $\frac{1}{2}$ per cent. Another loss of £17,645 is now proposed to be written off within $4\frac{1}{2}$ years. These losses come within the category of non-productive debt. If a sinking fund were provided on the same basis as is now provided for other Tasmanian debt of that character, the annual charge would be about £5,000 instead of £49,713 as proposed.

Item (7). A subsidy of £18,892 per annum for ten years is requested to make good the annual loss on the hydro-electric works. This seems unjustifiable in view of the opinion expressed by the manager of the works to Sir Nicholas Lockyer that this undertaking will be self-supporting within two years.

The Commonwealth Government, after a full consideration of the figures submitted on behalf of Tasmania, is clearly of the opinion that the position has been overstated, though it recognizes that there are difficulties to be faced by Tasmania.

The Commonwealth Government, however, is not satisfied that a mere grant of a sum of money is the true remedy for Tasmania's position. What it desires to do is to ascertain the real causes of Tasmania's difficulties, and, if possible, to remove them or relieve Tasmania in such a manner as will enable the development of the State to proceed at a rate more nearly approaching that of the rest of the Commonwealth.

DIFFICULTIES ARISING FROM THE PUBLIC DEBT.

One of the main causes of the financial difficulties of Tasmania is the very great burden of public debt per head of population. The public debt of £24,000,000 includes three important items, viz.—

(1) Hydro-electric works	£3,300,000
(2) Roads, bridges, harbours, &c. .. .	£5,700,000
(3) Railways	£6,400,000

The net interest burden of Tasmania, after deducting the net earnings of its railways and tramways, is £4 4s. 8d. per head of population, as compared with an Australian average of £2 8s. 7d. This suggests a means for giving assistance which will now be dealt with.

HYDRO-ELECTRIC WORKS.

During the period of its construction and working for the last ten years, the hydro-electric works have been a continual drag on the State finances. The manager of these works has stated that within two years the State revenue will be freed from further charges. To give relief in the meantime, the Commonwealth Government proposes to continue its present special grant at the rate of £68,000 for each of the years 1926–27 and 1927–28. This will be an advantage to Tasmania of £51,000 during the two years.

In this undertaking, Tasmania possesses a most valuable asset, and its very existence must attract new industries which will improve the general position of Tasmania.

ROADS, BRIDGES, HARBOURS, ETC.

The public debt arising from expenditure on roads, bridges, harbours, &c., is not directly reproductive. In Tasmania the loan expenditure of £5,700,000 on these services represents 23·8 per cent. of the total public debt as compared with an average of 8·54 per cent. for similar services in the case of the other States. It amounts to £26 3s. per head of population for Tasmania, as compared with an average of £8 12s. 11d. per head for the other States.

For years, Tasmania has adopted a policy of constructing its roads out of loan. In addition, the Government contributes about one-third of the cost of maintenance, the balance being provided by the municipalities. In most other States, a much greater proportion is borne by the local authorities. In interest, sinking fund, and maintenance arising out of the road policy, the State budget is clearly bearing a heavy burden. That burden will be substantially relieved by the national main roads policy of the Commonwealth, and the Government is prepared to adopt the scheme in order to meet the special conditions of Tasmania.

RAILWAYS.

The railways for years have been a serious embarrassment to the State finances of Tasmania. Since 1893 the railways have never paid interest and working expenses. For many years, the loss was about £100,000 a year. Since 1920–21 the position has rapidly become worse, partly as a result of the competition of motor traction, and the loss for the present year, after charging interest and sinking fund, will be about £250,000. This represents a tax on the people of over £1 per head.

To give relief from this heavy burden, the Commonwealth Government is prepared to pay, for a period of two years, the cost of interest and sinking fund on the present railway loan expenditure of £6,400,000. The interest is approximately £280,000. The exact amount of sinking fund contributions is not available, but it will probably represent a further sum of £30,000. Under this proposal, the Commonwealth will assist the State budget to the extent of about £310,000 per annum for two years.

DECLINE OF PRODUCTION.

Associated with the position of the railways is the actual decline of production, which necessarily affects freight and all other revenues. Since federation, the area under wheat has fallen from 44,000 acres in 1901–02 to 13,000 in 1924–25. The area under crop of all agricultural produce is lower per head of population in Tasmania than in any of the other States, with the exception of Queensland. In Tasmania, the average is 1·3 acres per head, compared with the Australian average of 2·9 acres per head. Sheep have declined from 1,792,000 in 1901 to 1,614,000 in 1925. Comparing the yield per acre for the ten years ended 1924 with the ten years ended 1913, Tasmania showed reduction in wheat, barley, oats, peas, potatoes, and hay. The reduction in the yield of potatoes per acre in ten years was actually 25 per cent. Fortunately the production of butter increased from 724,000 lb. in 1901 to 6,183,000 lb. in 1923–24, while during the same period cheese rose from 269,000 lb. to 1,346,000 lb. and bacon and ham from 530,000 lb. to 2,271,000 lb. The value of farmyard and dairying production per head of population in Tasmania was £6·21 in 1923–24 compared with £7·32 for the Commonwealth as a whole.

The decline of production in Tasmania appears to be largely due to exhaustion of soil, as well as decreased acreage. Exhaustion of soil is not irremediable. Every country has to face this problem. In Australia as a whole, with the assistance of fertilizers and modern methods of farming, the yields in many directions have been increased.

The total value of all minerals raised in Tasmania in 1901 amounted to £1,751,000. In 1921 the amount was £823,000. Since then it has risen annually, and in 1924 reached £1,326,000.

The total value of production of all recorded industries in Tasmania has grown from £6,312,000 in 1908, the first year in which complete comparative figures are available, to £11,026,000 in 1923. This, however, represents an increase of only 75 per cent., as compared with the Australian average increase of 142 per cent.

The only effective remedy for this unfortunate position is to be found in increasing the production of the Tasmanian community. An increase of production will lead to an increase of revenue, particularly from the railways, without increasing the real burden upon the people. In order to explore more thoroughly the causes of deficient production and to propose methods for overcoming the present retrogression, the Commonwealth Government is prepared to make available the resources of the Development Commission about to be set up, and of the re-organized Bureau of Science and Industry, so that a full and scientific investigation may be made.

PROPOSALS OF COMMONWEALTH GOVERNMENT.

The Commonwealth's financial proposals may be summarized as follows :—

- (a) Additional relief to the extent of £310,000 per year by taking over the railway interest and sinking fund for two years;
- (b) The Commonwealth national roads policy, under which Tasmania will receive £100,000 a year; and
- (c) Continuance for two years of the present special grant of £68,000 without the annual reduction of £17,000 provided by the Tasmania Grant Act.

The assistance which Tasmania will receive in 1926–27 and 1927–28 as a result of special contributions from the Commonwealth is :—

(1) Relief from interest and sinking fund on railway debt	..	..	..	£310,000
(2) Grant for roads	..	..	..	100,000
(3) Special grant (present)	..	..	..	68,000
				<hr/>
				478,000
(4) Taxation on lottery prizes (yielded in 1924)	..	..	..	111,000
				<hr/>
				£589,000
				<hr/>

These proposals are made by the Commonwealth Government with the sincere desire to assist the State of Tasmania in overcoming the difficulties which at present exist. The Commonwealth Government is satisfied that the difficulties can be overcome by resolute and determined effort made in the light of full knowledge of the relevant facts and in pursuance of an enlightened and progressive policy.

After the expiration of the two-year period, the Commonwealth and the State Governments will be in a position to reconsider the whole question.

A P P E N D I X No. 2.

REPORT OF COMMITTEE ON THE RE-ORGANIZATION OF THE DEPARTMENT
OF AGRICULTURE OF TASMANIA.

REPORT OF A COMMITTEE ON THE RE-ORGANIZATION OF THE DEPARTMENT OF AGRICULTURE OF TASMANIA.

During the past eighteen months there have been several special investigations of an economic nature in Tasmania. All the investigators have come to the conclusion that a re-organization of agriculture is an important and urgent requirement to effect improvement in the economic position of the State.

Towards the end of 1925 Dr. S. S. Cameron, Director of Agriculture of Victoria, was invited by the Tasmanian Government to visit the State and report on agricultural conditions. He made general recommendations for a number of changes in the farming system of the State, and also made specific recommendations for an increase in the Staff of the Department of Agriculture.

Shortly after this, Sir Nicholas Lockyer was commissioned by the Commonwealth Government to investigate and report upon the financial position of Tasmania as affected by Federation. His recognition of the need for agricultural re-organization is plainly indicated in his report, in which he states :—

“ My investigation leads me to the conclusion that the question of first importance is the further development of the primary industries of the State, the agricultural, horticultural, pastoral, mining, and timber industries ; *that expert guidance, as well as financial assistance, is necessary for this purpose*, and a scheme to this end, if under proper control and supervision, should lead to substantial progress, with a more contented as well as an increased population.”

and again—

“ I recommend that :—

A loan, free of interest, be granted by the Commonwealth to Tasmania of such amounts as may be required from time to time for a period of ten years in respect of each instalment, but not exceeding a total sum of £1,000,000, *for the purpose of further developing the agricultural and horticultural resources of the State* by means of scientific research, experimental farms and plots, educational propaganda, free rail carriage for fertilizers to nearest station to small farmers, purchase of land for closer settlement, &c., all expenditure to be subject to approval and supervision of the Commonwealth.”

Following this Mr. F. E. Ward, a Tasmanian with agricultural experience in other countries, was appointed to the position of Director of Agriculture. The new Director has been in the State now for about ten months, during which time he has studied the agricultural situation with a view to drafting a policy, and at the same time he has been selecting the necessary staff of technical officers as recommended in Dr. Cameron's report.

The Development and Migration Commission jointly with the Council for Scientific and Industrial Research engaged Dr. G. F. Finlay to investigate the animal industries of the State, and to propose schemes for their improvement. This officer, together with Mr. W. J. Rose, representing the Development and Migration Commission, and the Director of Agriculture have formulated proposals for the re-organization of the Department of Agriculture.

A survey of the agricultural position in Tasmania indicates that there are possibilities for effecting very great improvements in agriculture and in the methods of production by establishing new industries, and by a considerable re-organization of markets on co-operative and national lines.

In the better arable districts of the State, the long continued cropping with potatoes and oats, without a proper rotation system, has seriously depleted soil fertility. The yields from these crops have declined until production is perilously near an unprofitable stage.

The most successful potato-growers are those who have developed a system of rotation in which a period of cropping is followed by a few years under pasture, but such a practice is rare. Even with a knowledge of the best rotation system the desirable improvements are not easily established. Changes in rotation practices are difficult because they involve adjustments of marketing ; e.g., it would be a grave mistake to encourage the farmers of the north-west to lay down crops and pastures for the production of fat lambs without providing adequate markets for fat lambs.

Hitherto there has been no real national leadership in the organization of new markets, hence farmers are compelled to follow long-established farming practices, even if these are unprofitable in certain respects.

The hay crop is no longer sufficiently profitable owing to the decline in the numbers of horses for traction purposes, but growing of oats for hay is so fixed in the farming system that it is difficult to make the changes which economic conditions indicate as desirable. The obvious remedy is to feed off more of this crop and also lay down more of the land to temporary pastures. This would make it possible to keep much more live stock, and, through their fertilizing value, enrich the soil and permit of heavier yields per acre of potatoes, oats, peas, and hay. But one cannot encourage live stock production without making adequate provision for markets, and, therefore, no schemes for re-organization of agriculture can hope to succeed unless very great improvements in co-operative marketing are introduced. This aspect of the problem has been fully dealt with in Dr. Finlay's report, but here a few obvious requirements can be pointed out.

The Dairying Industry is unsatisfactory, both in production and manufacturing. The dairy herds are mostly “scrubs,” and there is a very great need for a vigorous campaign for the encouragement of grading-up by the use of pure-bred bulls. Their feeding is extremely primitive, and a greatly increased production can be effected by laying down pasture mixtures suitable for the various districts and by top dressing with superphosphate ; by the growing of properly balanced fodder crops ; and by extending the dairying season through the winter months by fodder conservation.

On the manufacturing side of the industry, we find a very deplorable state of affairs. There are eighteen different companies with a total of twenty-two factories manufacturing butter in Tasmania, and there are four companies with seven factories manufacturing cheese. It costs the Tasmanian factories nearly 5d. to manufacture a pound of butter, instead of 2½d., as in the best-managed and the more modern factories on the Mainland, and this loss of about 2½d. per lb. should be considered a direct loss to the producer, due to faulty organization. It is obvious that some very drastic alterations will have to be made in factory organization if the dairying industry is to prosper, and that this alteration will entail a considerable reduction in the number of companies and factories. To put the dairying industry on a satisfactory basis requires educational propaganda, sympathetic guidance and much organizing work on the part of the Department of Agriculture. There is no other body which can give the necessary State leadership.

The Bacon Industry is handicapped for reasons very similar to those in the dairying industry. Modern production methods are not understood, and a number of small bacon factories cure the product. With proper guidance and organization the pig industry should become very profitable in Tasmania, as conditions favour the production of bacon of better quality than is possible in Mainland States.

Tasmania is well suited for the production of *Fat Lambs* for export. The number produced at present, however, is not sufficient to meet the requirements of the local market. Temporary pastures and fodder crops can be grown very satisfactorily, and lambs of higher quality than those produced on the Mainland can be raised, but the development of this industry is dependent on the creation of an export outlet for surplus production. The Fat Lamb Industry should prove not only remunerative in itself, but it should have far-reaching effects in restoring the depleted fertility of the arable lands. The encouragement of this industry should form one of the major planks of the agricultural policy of the State, but it entails a heavy responsibility in organizing, both on production and marketing problems, and here also the Department of Agriculture must take the initiative.

The Poultry Industry has not been developed much beyond home requirements, though there is a small export trade. Owing to the possibilities of farm production of grain and milk, the poultry industry offers great prospects of development as a side-line to ordinary farming, and the producers are conveniently located as regards shipping ports. Moreover, the State is free from some serious enemies of poultry, e.g., the fox, which is a menace on the Mainland. With proper guidance on production problems by the Department of Agriculture and by the establishment of an efficient marketing organization, there should be no difficulty in building up an egg and dressed poultry export trade to a degree which would make a very substantial addition to the farmer's income.

The Potato Industry is of great importance to this State, but owing to the depletion of soil fertility does not show a reasonable profit. The introduction of more live stock into the farming system would not decrease the areas given over to potatoes, but the gain in fertility, due to live stock being kept on the pastures and oat crops, would greatly increase the potato yield per acre. This also applies to cereals, peas, turnips, and other farming crops.

When we consider the *Pastoral Industry*, it becomes apparent that no drastic changes in methods and in marketing are needed. Here the duties of the re-organized Department would be largely research and educational. There is a profitable field of activity in demonstrating how to increase the carrying capacity of the pastoral areas by the sowing of suitable pasture mixtures on the better class land, by showing to what extent top-dressing is profitable, by the prevention of such diseases as : Coast disease, Midland cattle disease, and parasitic infestation, with lung worm, stomach worm, nasal bot, ticks, and lice. If the researches of Mr. G. F. Hill on methods of combating the underground-grass grub are successful, there should be a profitable field of activity here.

In the *Fruit Industry* also there is need for technical assistance, especially as regards instruction in improved methods of production, standardization of varieties, and of packing and marketing organization. All this is work which can be best supervised by a properly organized Department of Agriculture.

Re-organization of Department of Agriculture.—At the outset let us consider some of the more important services which have advanced farming in the more progressive countries of the world, and see where Tasmania stands in regard to them.

Description of Services.	Conditions in Tasmania.
1. Agricultural Education	Non-existent.
2. Agricultural Bureaux	A very promising start made, much enthusiasm in some districts, but Department unable to supply demand for technical advisers.
3. Junior Clubs	Of little importance yet.
4. Agricultural Shows	Good, but need more educational events.
5. Cattle and Herd-testing Societies ..	Have effected little improvement in the average dairy herds.
6. Co-operative Marketing	The Agricultural Bureaux are trying to create a co-operative organization for buying. A potato marketing scheme also in process of formation. There is most co-operation in the dairy industry; but here there are too many companies and butter factories, with the result that there are high overhead costs in manufacturing butter.
7. Control of Exports	Fairly efficient.
8. Rural Credits	No adequate provision for stock and crops financing.
9. District Agricultural Organizers ..	Non-existent.
10. Agricultural Researches	Far behind Mainland States.

Agriculture will not progress unless the State is prepared to send out trained men to advise on production, marketing, the organization and management of co-operative societies, and ensure that both production and marketing practices conform with the State agricultural policy. Considerable progress has been made in formulating an agricultural policy, some of the main features of which are indicated above. Whatever the details of the policy decided upon, it is apparent that the Department of Agriculture must be prepared to take a definite lead and advise on all production and marketing problems. In the present state of Tasmanian farming this technical assistance should take precedence over inspectorial work. It may be thought by some that the re-organization of marketing should be left to private enterprise. However, we regard the re-organization of marketing on co-operative lines as one of the most essential needs of Agriculture, and consider that this should be regarded just as much a responsibility of the Department of Agriculture as effecting improvements in production.

The present Department of Agriculture is quite unable to give the services required, and, in this respect, is far behind all the Mainland States. The Department is under-staffed and drastic changes in its internal organization and its relation to the farming community are necessary.

The re-organization of the agriculture of the State necessitates the appointment of a staff of trained men. The staff should belong to two main groups, viz. :—

- (1) A head-quarters staff of specialists in the various branches of farming.
- (2) A staff of agricultural organizers who should be resident in selected country centres.

These new appointments have been recommended with a view to giving effect to the agricultural policy of the State when adopted. The objective is purely economic, and appointments which could not be justified on economic grounds have been rigorously avoided.

For administrative purposes the head-quarters staff should be organized into six divisions all responsible to the Director of Agriculture. These would be Farm Crops, Animal Husbandry, Horticulture, Dairy, Veterinary, and General Science divisions. The staff should be specialists in their respective departments and their duties would be both research and field work.

The need for co-ordinated research into such problems as pasture improvement, the breeding of varieties of cereals suitable for Tasmania, soil fertility, crop rotation, economic breeding and feeding of all classes of live stock, animal and plant diseases and parasites, marketing, &c., is recognized, and it is recommended that a highly trained man be appointed as Superintendent of Research to personally undertake some of the more important work in pasture and crop improvement, and to co-ordinate and exercise a general supervision over the research work of the Department.

The State should be divided into six districts and a highly trained agricultural organizer appointed to each district to educate the farmers in modern methods of agriculture and to organize both production and marketing. To ensure that these organizers maintain the closest contact with the head-quarters staff of specialists and that they work together to advance the State agricultural policy, it is recommended that a specially qualified Superintendent of Extension Service be appointed to direct their activities.

The following table shows the present staff and the suggested new appointments :—

1. HEAD-QUARTERS.

Division.		Present Staff.		Additional Appointments Recommended.
Administrative	.. ..	Director of Agriculture	..	Superintendent of Research, to be a specialist in plant breeding and seed production.
		Clerical Staff—13	.. ..	Chief Clerk and four typistes.
		Port Inspectors—9.		
		Stock Inspectors—3.		
Farm Crops	.. ..	Chief and two Assistants		
Animal Husbandry	.. ..	One Poultry Inspector	..	One Sheep Husbandryman.
				One Cattle „
				One Swine „
				One Poultry „
Horticulture	.. ..	Chief and one Assistant	..	One Horticulturist.
Dairy	.. ..	Chief and three Assistants	..	One Factory and Research Specialist.
Veterinary	.. ..	Chief and one Assistant		
General Science	.. ..	Agricultural Chemist	..	Agricultural economist.
		Plant Pathologist		Farm Engineer.
				Entomologist.
				Apiarist.
				Home Economist (woman)

2. STAFF OF DISTRICT ORGANIZERS.

(A) Superintendent of Extension Service.

(B) Staff of District Agricultural Organizers as follows :—

North-West	.. ..	One qualified agricultural organizer and one office assistant.
North-East	.. ..	One qualified agricultural organizer and one office assistant.
North Midlands	.. ..	One qualified agricultural organizer and one office assistant.
Midlands	.. ..	One qualified agricultural organizer and one office assistant.
South-East	.. ..	One qualified agricultural organizer and one office assistant.
Southern	.. ..	One qualified agricultural organizer, one office assistant, and four packing instructors.

The proposed new appointments of specialists to the head-quarters staff are necessary to ensure that all phases of the pastoral, agricultural, and horticultural industries are efficiently directed. Definite representations have been made by the farmers to have some of these appointments made. Under the old order, the sheep and wool industry had no departmental officer, but this should be remedied by appointing a competent sheep husbandryman. The state of agriculture makes the development of animal industries, especially fat lamb production, dairying, pig-raising, and poultry-farming, highly desirable, and specialists are required to guide these industries on sound lines. The requirements of other primary industries have also been met, and in addition the appointment of several specialists who would serve the interests of all primary industries, e.g., an agricultural economist, farm engineer, and entomologist, is advocated.

Social and domestic conditions and the welfare of children in farming districts, together with the improvements which electricity and other modern innovations make possible in country life, make it desirable that women should receive some assistance, and with this object in view the appointment of a woman specialist, trained in the economic organization of the home and social life, is proposed.

The staff of district agricultural organizers has been recommended in response to strong representations from the Agricultural Bureaux and other farmers' bodies. The appointment of competent men with an all-round knowledge of scientific and practical methods of farming to organize and guide farmers is considered one of the most important requirements in the task of re-organization. The most progressive agricultural countries in the world have found that the best type of man to guide the farmer is the "general practitioner" rather than the "specialist," though these district organizers require specialists on the head-quarters staff to prepare schemes and advise them on highly technical matters. The specialist is too one-sided in his view to make a successful farm adviser.

The agricultural organizers will have very responsible duties and they should be men of exceptional ability. They will have to organize the farmers, educate the young men by means of short courses of instruction in modern agriculture, plan the methods of farming for their districts, encourage modern marketing methods and act as the technical advisers and organizers of the branches of the Agricultural Bureau. This latter work will probably entail organizing schemes for the distribution of pure-bred bulls, rams, boars, and other breeding stock; comparative trials on economic fattening of steers, lambs, and pigs; organizing periodical programmes of lectures and demonstrations; forming boys and girls' clubs, and assisting in the development of co-operative marketing.

The finding of suitable trained men to fill all the appointments recommended offers some difficulty. For technical positions, only graduates of recognized agricultural colleges, or institutions of equal standing, can be considered. Australians should always receive preference, but owing to the neglect of certain subjects in Australia, e.g., animal husbandry, it would be advisable to go abroad to find competent specialists to fill some of the appointments. However, the advantage to the Department of having a staff with the combined experience of a number of progressive countries is obvious.

FUTURE EXPANSION OF THE DEPARTMENT OF AGRICULTURE.

In this report no provision has been made for the establishment of an agricultural college. The difficulties in obtaining the trained teaching Staff and the probable dearth of students, together with the high cost involved, make this inadvisable for many years to come. Instead it is proposed to take agricultural education to the farmers by means of short courses of instruction given by the District Agricultural Organizers.

To meet future requirements of this Department it is recommended that provision be made for the training of selected Tasmanian Agricultural Students in other States and abroad by means of the following Scholarships :—

(a) Three Junior Scholarships of £50 per annum each for two years	..	£300 per annum.
(b) One post graduate Scholarship of £100 per annum for two years	..	200 per annum.
Total	..	£500 per annum.

The increased annual appropriations for the Department of Agriculture which would be necessary for the carrying out of these proposals will be as follows :—

Additional Head-quarters Staff	..	£6,500
Agricultural Organizers	..	6,350
Administration	..	3,650
Total	..	£16,500

If a sum of £500 is set aside annually for agricultural scholarships and if certain recommendations for premiums to the extent of £1,000 per annum for breeding stock, of which details will be given in a subsequent report, are granted, these would bring the total increased annual appropriations for the Department of Agriculture under the new re-organization schemes up to £18,000 per annum.

The conclusions with regard to the re-organization of agriculture have been arrived at after consultation with the leaders of agricultural thought and the farmers' representatives in all parts of the State. In addition the experience of all progressive agricultural countries in the world has been considered and the proposed re-organization can therefore be regarded as meeting the requirements of Tasmania in the difficult task ahead. At the same time the cost of the Department of Agriculture will remain the lowest amongst Australian States when estimated on a *per capita* basis.

8th February, 1927.

